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TAGS: ECON ETRD EINV EDUC TNGD CH
SUBJECT: Microsoft Opens Technology Center in Guangzhou

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protect accordingly.

¶1. (SBU) Summary: Following on the heels of President Hu
Jintao's meeting with Bill Gates in Seattle, Microsoft
unveiled its first technology center in South China. The
center is the result of an agreement between Microsoft and
the Chinese government to set up at least 10 such centers
throughout China. The center will develop software for e-
governance, entertainment, and information systems security
as well as provide training and consulting services to local
government offices and enterprises. The facility will
eventually employ between 300 and 500 software engineers,
though staff said they will be lucky to find 100 qualified
candidates by the end of 2006. End summary.

Microsoft Makes a Deal

¶2. (SBU) Timothy Chen, corporate vice president and CEO of
the Greater China region, was the ranking Microsoft
representative at the ceremony on May 15. In an aside to
Consul General, Chen said he served as the interpreter
during President Hu Jintao's April 2006 visit to Bill Gates'
Seattle home. The opening ceremony of the Guangzhou
Technology Center was reportedly postponed until Hu returned
from his visit to Seattle.

¶3. (U) In his remarks, Chen said Microsoft and the Chinese
government signed their first MOU in June 2002. Since then,
Microsoft has provided training support to more than 30,000
Chinese students and professionals free of charge. In
addition, Microsoft has outsourced USD 5.5 million worth of
software products to Chinese partners. Microsoft and the
Chinese government signed their second MOU on Apr. 18, 2006
during Hu's visit to Seattle. Under this agreement,
Microsoft will establish more than 10 technology centers in
key cities in China to promote the advancement of
information technology through cooperation with local
software developers.

And Now to Fill the Buildings...

¶4. (SBU) Microsoft's Guangdong research center is the first
such center for Microsoft in South China, and others are
planned for Shenzhen and Xiamen. The center is located in
Gaotang Software Park, on the fringes of the city in the
fast-developing Tianhe District. It occupies two mid-size
buildings that are connected by an elevated pedestrian
walkway and surrounded by grassy fields -- a miniature
version of the Seattle campus. According to company
literature, the center's long-term goal is to employ between

300 and 500 software engineers. However, Microsoft representatives said informally that they would be lucky to find 100 qualified employees by the end of 2006 because of the dearth of well trained, experienced professionals in the field.

¶5. (U) According to company literature, the center will provide services in software design, development, and support in the areas of e-governance, information security, and digital entertainment. It will also provide training and consulting services for government agencies and enterprises, with the aim of developing Guangzhou's software industry.

Big Plans for Guangzhou's Software Industry

¶6. (U) Guangzhou Vice Mayor Shen Bonian noted in his remarks that Guangzhou is experiencing a shortage of high-tech talent, but said the city's 11th Five-Year Plan calls for more than 200,000 software technicians by 2010. He said the Microsoft technology center will help nurture this much-needed talent and also assist in the informatization of Guangzhou government offices and enterprises. Guangzhou's software industry is expected to generate more than 100 billion RMB (USD 12.5 billion) in income by 2010, with an annual increase of 35 percent. In comparison, software companies in Gaotang Software Park generated 10.5 billion RMB (USD 1.3 billion) of revenue from software sales in ¶2005.

Comment: A Political Necessity Hobbled by Educational Deficiencies
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¶7. (SBU) This technology center, being the result of negotiations between Microsoft and the Chinese government, may serve Guangzhou's interests more than Microsoft's, though Microsoft sees the centers as being a political necessity for its future in China. Though software localization and customer service are important for Microsoft's regional operations, the employment, training, and consulting services that this center will provide are a boon to Guangzhou's high-tech industry. The remarks by Microsoft staff that the center's job openings will be difficult to fill reflect the deficit of well-trained, experienced professionals in Guangzhou's high-tech industry. Other contacts in the high-tech field have complained to us that young Chinese software developers have sufficient technical ability, but lack the talent to innovate -- owing in part to outdated teaching methods in China's universities.

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